

A BIRD'S EYE VIEW OF SOME GENERAL PRINCIPLES RE INTEREST

By

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I. INTRODUCTION

The following memorandum touches on some of the most basic principles regarding interest recomputation, pitfalls re interest to avoid in settlement negotiations, and how to establish a file

which permits rapid and accurate calculation of the interest involved on termination of a case. This memorandum does not purport to do more than give an overall view for use in dealing with very simple situations in a settlement or judgment context. The applicable interest rates change every three months; rates applicable to date are set out at Q-8-9.

II. GENERAL RULES

A. Interest on Overpayments

There are basically two kinds of interest associated with tax overpayments: interest which has been assessed and/or paid with respect to a deficiency (sometimes referred to as assessed interest or deficiency interest), and statutory interest (interest which, pursuant to § 6611, runs on any overpayment, whether tax, penalty, interest which has been assessed and paid, or, since 1983, statutory interest which has accrued).

The general rule is that statutory interest runs on an overpayment from the date of the overpayment to a date preceding issuance of the refund check by not more than 30 days. In the case of a credit, interest runs from the date of the overpayment to the due date of the amount against which the credit is taken. § 6611(b). All payments of estimated tax are deemed to occur on the due date of the return, for purposes of determining the allowance of interest.

Interest computations can be simple or complex. For example, if the taxpayer recovers a judgment in a case where a deficiency was assessed and the taxpayer recovers on all issues which were the subject of the assessment (and no others), then no calculation has to be made with respect to either the tax or the interest assessed and paid, the entire tax deficiency and assessed interest is allowed as an overpayment, the Service Center will compute the statutory interest, and the trial attorney (or a paralegal) can use TaxComp to check the interest computations.^{1/}

In a settlement involving an individual's tax liability, where the settlement calls for an overpayment of a specific amount of a tax deficiency which has been paid (and which is entirely attributable to the issue in litigation), and no carrybacks are involved, assessed interest is simply a

^{1/} Our TaxComp program is approximate, only, and its results may not be accepted by the Internal Revenue Service. However, an approximate computation is very useful, for example, if you are involved in settlement of a counterclaim or collection suit, and want to know how much the taxpayer owes, for purposes of determining collectibility or otherwise. The Index to the Tax Computation System (TaxComp) is at Q-10.

proportionate amount of the deficiency interest assessed and paid. Such deficiency interest can be readily calculated by the trial attorney, and the Service Center will compute statutory interest which can then be checked by using TaxComp.

In cases involving corporations, carrybacks, tax motivated interest, pre-1982 years involving multiple assessments, or a host of other issues, interest computations become exceedingly complex, and the computation of assessed interest has to be looked at again. A lot of money is involved in interest computations. For complex cases, it is advisable either to have the Internal Revenue Service prepare interest computations, or to utilize the Tax Division's recomputation specialist, who is a member of the Office of Review.

B. Interest on Underpayments

The rules for accrual of interest on underpayments under § 6601 are very close to the converse of the rules as to interest on overpayments. The general rule is that interest runs on an underpayment from the due date until the date of payment.

In income, estate and gift tax cases, etc., if notice and demand is not made within 30 days of filing of a waiver of restrictions on assessment, interest is suspended beginning immediately after the 30th day and ending with the date of notice and demand. Interest does not run on a claim while a bankruptcy proceeding is pending, unless the claim is oversecured.

The general rule is that interest runs on penalties from the date of notice and demand for payment; no interest is due if the penalty is paid within 10 days of notice and demand. § 6601(e).

C. Other General Principles

Prior to January 1, 1983, only simple interest accrued, and no interest accrued on statutory interest, whether with respect to overpayments or underpayments. Interest did, however, accrue on interest (generally assessed interest) which a taxpayer had overpaid. Since January 1, 1983, interest is compounded and accrues on statutory interest pursuant to § 6622.

D. Interest Differential

Since January 1, 1987, interest runs at a higher rate on underpayments than on overpayments. Since January 1, 1991, there is also a still higher rate for large corporate underpayments.

Since January 1, 1995, there is a lower rate for corporate overpayments exceeding \$10,000 (GATT Credit Interest). See

§ 6621, and the example at Q-11-14, which illustrates a correct computation of interest on a \$75,000 overpayment.^{2/} The correct overpayment interest is \$6,862.16 (Q-14). See also the illustration, at Q-15, of an incorrect computation of interest on the \$75,000 overpayment which fails to take into account the lower interest rate on large corporate overpayments, resulting in an interest allowance of \$7,278.41.

E. The Effect of Offsetting Overpayments
Against Underpayments

It is always advantageous for the taxpayer, if it has overpayments for some years and underpayments for other years, to have the overpayments credited against the underpayments. And, such crediting is the correct procedure. No interest runs on either the underpayment or the overpayment during the period and to the extent they offset each other. §§ 6601(f), 6611(b)(1); Texas Eastern Corp. v. United States, 907 F.2d 138 (Fed. Cir. 1990).

F. Interest on Overpayments Generated
by a Carryback

In the case of an overpayment generated by a carryback:

(1) For periods after October 1982, interest is generally computed from whichever of the following dates is the later: (a) the due date of the return for the loss year (determined without extensions), (b) the date a delinquent return for the loss year was received, or (c) the date the tax for the income year was paid, whichever is later.

(2) For loss years ending prior to October 4, 1982, interest is generally computed from the first day after the end of the loss year, or the date the tax was paid for the income year, whichever is later.

III. APPLICATION OF GENERAL RULES TO COLLECTION SITUATIONS

Typically, you will have an assessment shown on the certificate of assessments and payments. The taxpayer will not have paid all (or any) of the assessment, and therefore there is a collection proceeding or a counterclaim.

^{2/} Note that if there has been a prior refund of \$8,000, and a subsequent refund of \$20,000, the normal overpayment rate is applicable only to the first \$2,000 of the refund, and interest on the remaining \$18,000 is calculated at the lower GATT rate.

Bear in mind that frequently the Service does not bother to assess interest accruing until it has actually been paid. Accordingly, a certificate of assessments and payments will not necessarily reflect interest owing as of the date the certificate is prepared. Even if interest has been assessed, further deficiency interest will have accrued on unpaid assessments.

If you want to find out approximately how much the taxpayer owes, you can use the TaxComp program to do so. This is very easy to do if no payments have been made since the assessment. If there have been intervening payments, be sure to calculate interest owing on each segment. That is, if a \$100,000 responsible officer assessment was made on 1/1/80, notice and demand were made on that date, and there were payments of \$10,000 on 1/1/81, \$5,000 on 1/1/83; and \$25,000 on 6/5/89, then interest ran on \$100,000 to 1/1/81, on \$90,000 to 1/1/83, on both tax and interest owing on 1/1/83 to 6/5/89, etc. The TaxComp program does the computations for you. In evaluating a settlement, you do not figure that the taxpayer only owes \$60,000 plus interest from 1/1/80 -- a mistake which used to be made quite frequently. In the example given, the correct total of tax and interest due as of 5/31/95 was \$392,537. See Q-16-21. Calculating interest (erroneously) only on the \$60,000 from 1/1/80 would produce a total tax and interest due as of 5/31/95 of \$299,388. See Q-22-23.

IV. ESTABLISHING AN INTEREST FILE FOR OVERPAYMENT SITUATIONS

Despite the fact that, of course, one wants to win every case one handles (and, therefore, in a refund case there will be no refund), the best time to start thinking about an overpayment, and interest on an overpayment, is when the suit is filed. Indeed, it is suggested that you make up a file re computations, and put in it (and in the D.J. File) a copy of the certificate of assessments and payments and the computations underlying the assessment that was made. After all, you have to be looking at the certificate of assessments and payments anyway, in order to answer the complaint. The certificate (or a transcript -- but a certificate is easier to read) is essential to determining the date or dates (and the amounts) on which interest would run. And the computations underlying any deficiency assessment are useful in figuring out what is in issue.^{3/}

^{3/} In evaluating a settlement (or agreeing to a figure for judgment) it is important to find out if the taxpayer is contesting the entire amount of the deficiency, or only part of it. Oftentimes taxpayers will claim in the complaint a refund of the entire deficiency assessment, whereas they will only recover a portion were they to prevail in full.

Additionally, if the computations reflect that carrybacks were allowed, there will be (or should be) restricted interest that was assessed. This means that, if you want to settle (or a judgment is entered), you cannot just figure that the taxpayer will get back a proportionate part (or all) of the assessed interest -- the Service will have to recalculate the amount of the overpayment where restricted interest is involved. Restricted interest (as well as interest on an overpayment generated by a carryback from more than one year) is always computed on a Form 2285. See Q-24.

The reason for creating a computation file for yourself (and putting the information in the D.J. File) is that a case may take years to wind to an end, you may win in the trial court and lose in the court of appeals, and it is a lot easier to find the necessary information when it is needed in a hurry if you have put it aside earlier.4/

When judgment or settlement is imminent, it is imperative to order an updated transcript of account or certificate of assessments and payments. There may have been carrybacks which resulted in a refund of some or all of the tax at issue.5/

It saves a lot of time in the long run to consider the question of interest when reviewing the computation of the principal amount to be refunded pursuant to settlement or judgment. At that point, one has to have a certificate of assessments and payments and review the computation. Similarly, one would be aware at that time of the extent to which the overpayments in issue were attributable to carrybacks, and the year generating the carryback and, of course, the years generating the overpayment or portions of it. Accordingly, at that time, you can readily determine whether any assessed interest was refundable, and focus on the beginning dates for computation of interest as to each portion of the overpayment.

4/ It is also a lot easier to find if, a year or so afterward, it is discovered that too much was paid.

5/ Incidentally, you can have a problem if there have been carrybacks from years that have not been audited and that the IRS is going to audit. For example, unless the situation is addressed, the termination of the case by stipulation of dismissal or judgment could result in res judicata barring recovery of erroneous tentative allowances. In this situation, one course of action is to make it a specific term of the stipulation for dismissal or stipulation for entry of judgment that it is without prejudice to the government's right to recover carrybacks previously allowed for the years.

And, the key to reviewing an interest computation is to make sure that interest is being computed from the correct dates to the correct dates on each portion of the overpayment. This is simple if there are no carrybacks involved -- the date of each payment (of tax and interest) is set out on the certificate of assessments and payments.

Unfortunately, the Service Center will frequently send us the interest computations several weeks after we have received the refund check. They may not send us the Forms 2285, which show the segmentation of the overpayment into general adjustments, the portion of the overpayments attributable to the first succeeding year, second succeeding year, etc., and permit the calculation of interest where carrybacks are involved. Please check the interest computation over--again, you don't have to do any computation yourself; all you have to do is check that interest is being computed from the right date to the right date, and on the right amounts. And, if restricted interest is involved, and the Service Center hasn't sent us the Forms 2285, ask for them.

Attachments:

Interest Rates	Q-8-9
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INTEREST RATES (PAGE 1)

TABLE OF INTEREST RATES

PERIODS BEFORE JUL. 1, 1975 - PERIODS ENDING DEC. 31, 1986

OVERPAYMENTS AND UNDERPAYMENTS

Period	Rate	Daily Rate Table In 1995-1 C.B.
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975--Jan. 31, 1976	8%	Table 4, pg. 559
Feb. 1, 1976--Jan. 31, 1978	7%	Table 3, pg. 558
Feb. 1, 1978--Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980--Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982--Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983--Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983--Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984--Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984--Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985--Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985--Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986--Jun. 30, 1986	10%	Table 25, pg. 579
Jul. 1, 1986--Dec. 31, 1986	9%	Table 23, pg. 577

TABLE OF INTEREST RATES

FROM JAN. 1, 1987 — PRESENT

	Overpayments			Underpayments		
	Rate	Table	Pg.	Rate	Table	Pg.
	1995-1	C.B.		1995-1	C.B.	
Jan. 1, 1987--Mar. 31, 1987	8%	21	575	9%	23	577
Apr. 1, 1987--Jun. 30, 1987	8%	21	575	9%	23	577
Jul. 1, 1987--Sep. 30, 1987	8%	21	575	9%	23	577
Oct. 1, 1987--Dec. 31, 1987	9%	23	577	10%	25	579
Jan. 1, 1988--Mar. 31, 1988	10%	73	627	11%	75	629
Apr. 1, 1988--Jun. 30, 1988	9%	71	625	10%	73	627
Jul. 1, 1988--Sep. 30, 1988	9%	71	625	10%	73	627
Oct. 1, 1988--Dec. 31, 1988	10%	73	627	11%	75	629
Jan. 1, 1989--Mar. 31, 1989	10%	25	579	11%	27	581
Apr. 1, 1989--Jun. 30, 1989	11%	27	581	12%	29	583
Jul. 1, 1989--Sep. 30, 1989	11%	27	581	12%	29	583
Oct. 1, 1989--Dec. 31, 1989	10%	25	579	11%	27	581
Jan. 1, 1990--Mar. 31, 1990	10%	25	579	11%	27	581
Apr. 1, 1990--Jun. 30, 1990	10%	25	579	11%	27	581
Jul. 1, 1990--Sep. 30, 1990	10%	25	579	11%	27	581
Oct. 1, 1990--Dec. 31, 1990	10%	25	579	11%	27	581
Jan. 1, 1991--Mar. 31, 1991	10%	25	579	11%	27	581
Apr. 1, 1991--Jun. 30, 1991	8%	23	577	10%	25	579
Jul. 1, 1991--Sep. 30, 1991	8%	23	577	10%	25	579
Oct. 1, 1991--Dec. 31, 1991	9%	23	577	10%	25	579
Jan. 1, 1992--Mar. 31, 1992	8%	69	623	9%	71	625
Apr. 1, 1992--Jun. 30, 1992	7%	67	621	8%	69	623
Jul. 1, 1992--Sep. 30, 1992	7%	67	621	8%	69	623
Oct. 1, 1992--Dec. 31, 1992	6%	65	619	7%	67	621
Jan. 1, 1993--Mar. 31, 1993	6%	17	571	7%	19	573
Apr. 1, 1993--Jun. 30, 1993	6%	17	571	7%	19	573
Jul. 1, 1993--Sep. 30, 1993	6%	17	571	7%	19	573
Oct. 1, 1993--Dec. 31, 1993	6%	17	571	7%	19	573
Jan. 1, 1994--Mar. 31, 1994	6%	17	571	7%	19	573
Apr. 1, 1994--Jun. 30, 1994	6%	17	571	7%	19	573
Jul. 1, 1994--Sep. 30, 1994	7%	19	573	8%	21	575
Oct. 1, 1994--Dec. 31, 1994	8%	21	575	9%	23	577
Jan. 1, 1995--Mar. 31, 1995	8%	21	575	9%	23	577
Apr. 1, 1995--Jun. 30, 1995	9%	23	577	10%	25	579
Jul. 1, 1995--Sep. 30, 1995	8%	21	575	9%	23	577
Oct. 1, 1995--Dec. 31, 1995	8%	21	575	9%	23	577
Jan. 1, 1996--Mar. 31, 1996	8%	69	623	9%	71	625
Apr. 1, 1996--Jun. 30, 1996	7%	67	621	8%	69	623
Jul. 1, 1996--Sep. 30, 1996	8%	69	623	9%	71	625

INTEREST RATES (PAGE 2)

TABLE OF INTEREST RATES FOR LARGE CORPORATE UNDERPAYMENTS FROM JANUARY 1, 1991 - PRESENT

	Rate Table Pg. 1995-1 C.B.	
Jan. 1, 1991-Mar. 31, 1991	13% 31 585	
Apr. 1, 1991-Jun. 30, 1991	12% 29 583	
Jul. 1, 1991-Sep. 30, 1991	12% 29 583	
Oct. 1, 1991-Dec. 31, 1991	12% 29 583	
Jan. 1, 1992-Mar. 31, 1992	11% 75 629	
Apr. 1, 1992-Jun. 30, 1992	10% 73 627	
Jul. 1, 1992-Sep. 30, 1992	10% 73 627	
Oct. 1, 1992-Dec. 31, 1992	9% 71 625	
Jan. 1, 1993-Mar. 31, 1993	9% 23 577	
Apr. 1, 1993-Jun. 30, 1993	9% 23 577	
Jul. 1, 1993-Sep. 30, 1993	9% 23 577	
Oct. 1, 1993-Dec. 31, 1993	9% 23 577	
Jan. 1, 1994-Mar. 31, 1994	9% 23 577	
Apr. 1, 1994-Jun. 30, 1994	9% 23 577	
Jul. 1, 1994-Sep. 30, 1994	10% 25 579	
Oct. 1, 1994-Dec. 31, 1994	11% 27 581	
Jan. 1, 1995-Mar. 31, 1995	11% 27 581	
Apr. 1, 1995-Jun. 30, 1995	12% 29 583	
Jul. 1, 1995-Sep. 30, 1995	11% 27 581	
Oct. 1, 1995-Dec. 31, 1995	11% 27 581	
Jan. 1, 1996-Mar. 31, 1996	11% 75 629	
Apr. 1, 1996-Jun. 30, 1996	10% 73 627	
Jul. 1, 1996-Sep. 30, 1996	11% 75 629	

TABLE OF INTEREST RATES FOR CORPORATE OVERPAYMENTS EXCEEDING \$10,000 FROM JANUARY 1, 1991 - PRESENT

	Rate Table Pg. 1995-1 C.B.	
Jan. 1, 1995-Mar. 31, 1995	6.5% 18 572	
Apr. 1, 1995-Jun. 30, 1995	7.5% 20 574	
Jul. 1, 1995-Sep. 30, 1995	6.5% 18 572	
Oct. 1, 1995-Dec. 31, 1995	6.5% 18 572	
Jan. 1, 1996-Mar. 31, 1996	6.5% 66 620	
Apr. 1, 1996-Jun. 30, 1996	5.5% 64 618	
Jul. 1, 1996-Sep. 30, 1996	6.5% 66 620	

TAX COMPUTATION SYSTEM

- [G] Schedule G (1977 - 1986)
- [I] Interest Computation
- [S] Former 6621(c) Interest Computation
- [O] Overpayment Interest Computation
- [A] GATT Credit Interest Computation
- [C] Corporate 6621(c) Interest Computation
- [M] Corporate 6621(c) Interest Tax Motivated
- [1] Tax Rate Schedule (1977 - 1994)
- [2] Form 5278
- [3] Alt. Minimum <Form 6251> (1979 - 1994)
- [4] FSAA Package <TEFRA Subchapter S>
- [5] FPAA Package <TEFRA Partnership>
- [6] Corporate Tax Rates (thru 1994)
- [7] Audit Statement <Form 3610>
- [8] Tax Tables (1977 - 1994)
- [9] Adjustments to Income <Form 4087>
- [T] TAXCOMP User Guide
- [+] Select Taxpayer

[U] Utility Menu

Use keys and 1 or press option letter or number (<Esc> to quit)

CORRECT COMPUTATION OF INTEREST ON EXCESS
CORPORATE OVERPAYMENT (IN EXCESS OF \$10,000)
(GATT CREDIT INTEREST) (PAGE 1)

Date of Computation : 07/3 5

TAXCOMP 2.10: COMPUTATION OF OVERPAYMENT INTEREST
(Effective thru 09/30/95)

Due date of return : 02/28/94

Interest computed to : 12/31/94

Amount of tax on which interest is to be computed : 75,000.00

Period	Rate (%)	Type	# months	# days	Factor
02/28/94 - 06/30/94 :	6	daily comp	0	122	0.020255561
07/01/94 - 09/30/94 :	7	daily comp	0	92	0.017798686
10/01/94 - 12/31/94 :	8	daily comp	0	92	0.020366804
Total Interest Factor for 306 days =					0.059563959

Amount on which interest was computed : 75,000.00

Interest on Tax on 75,000.00 computed from 02/28/94 to 12/31/94
(a total of 306 days) 4,467.30

Total Tax and Interest : 79,467.30

CORRECT COMPUTATION OF INTEREST ON LARGE
CORPORATE OVERPAYMENT (IN EXCESS OF \$10,000)
(GATT CREDIT INTEREST) (PAGE 2)

Date of Computation : 07/18/95

TAXCOMP 2.10: COMPUTATION OF OVERPAYMENT INTEREST
Effective thru 09/30/95)

=====

Due date of return : 12/31/94

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 10,000.00

=====

Period	Rate (%)	Type	# months	# days	Factor
12/31/94 - 03/31/95 :	8	daily comp	0	90	0.019919667
04/01/95 - 05/31/95 :	9	daily comp	0	61	0.015152900
Total Interest Factor for 151 days =					0.035374408 =====

Amount on which interest was computed : 10,000.00

Interest on Tax on 10,000.00 computed from 12/31/94 to 05/31/95
(a total of 151 days) 353.74
=====

Total Tax and Interest : 10,353.74
=====

Date of Computation : 07/18/97

TAXCOMP 2.10: COMPUTATION OF OVERPAYMENT INTEREST
(Effective thru 09/30/95)

Due date of return : 12/31/94

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 4,467.30

Period	Rate (%)	Type	# months	# days	Factor
12/31/94 - 03/31/95 :	8	daily comp	0	90	0.019919667
04/01/95 - 05/31/95 :	9	daily comp	0	61	0.015152900
Total Interest Factor for 151 days =					0.035374808

Amount on which interest was computed : 4,467.30

Interest on Tax on 4,467.30 computed from 12/31/94 to 05/31/95
(a total of 151 days) 158.

Total Tax and Interest : 4,625.33

CORRECT COMPUTATION OF INTEREST ON LARGE
CORPORATE OVERPAYMENT (IN EXCESS OF \$10,000)
(GATT CREDIT INTEREST) (PAGE 4)

Date of Computation : 07/18/95

COMP 2.10: COMPUTATION OF GATT CREDIT INTEREST

Effective thru 09/30/95)

Due date of return : 12/31/94

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 65,000.00

Period	Rate (%)	Type	# months	# days	Factor
12/31/94 - 03/31/95 :	6.5	daily comp	0	90	0.016155075
04/01/95 - 05/31/95 :	7.5	daily comp	0	61	0.012611826
Total-Interest Factor for... 151 days =					0.028970646

Amount on which interest was computed : 65,000.00

Interest on Tax on 65,000.00 computed from 12/31/94 to 05/31/95
(a total of 151 days) 1,883.09

Total Tax and Interest : 66,883.09

\$ 4,467.30	(Q-11)
353.74	(Q-12)
156.03	(Q-13)
<u>1,883.09</u>	(Q-14)
Total	\$ 6,862.16

INTO ACCOUNT THE LOWER INTEREST RATE, SINCE
JANUARY 1, 1995, ON LARGE CORPORATE
OVERPAYMENTS

Date of Computation : 07/18/95

TAXCOMP 2.10: COMPUTATION OF OVERPAYMENT INTEREST
(Effective thru 09/30/95)

Due date of return : 02/28/94

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 75,000.00

Period	Rate (%)	Type	# months	# days	Factor
02/28/94 - 06/30/94 :	6	daily comp	0	122	0.020255561
07/01/94 - 09/30/94 :	7	daily comp	0	92	0.017798686
10/01/94 - 03/31/95 :	8	daily comp	0	182	0.040692170
04/01/95 - 05/31/95 :	9	daily comp	0	61	0.015152900
Total Interest Factor for 457 days =					0.097045407

Amount on which interest was computed : 75,000.00

Interest on Tax on 75,000.00 computed from 02/28/94 to 05/31/95
(a total of 457 days) 7,278

Total Tax and Interest : 82,278.41

TAXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/18/95

Page 1

Due date of return : 01/01/80

Interest computed to : 01/01/81

Amount of tax on which interest is to be computed : 100,000.00

Period	Rate (%)	Type	# months	# days	Factor
01/01/80 - 01/31/80 :	6	month/day	0	30	0.004931507
02/01/80 - 01/01/81 :	12	simple	0	336	0.110465753
Total Interest Factor for 366 days =					0.115397260

Amount on which interest was computed : 100,000.00

Interest on Tax on 100,000.00 computed from 01/01/80 to 01/01/81
(a total of 366 days) 11,539.73

Total Tax and Interest : 111,539.73

interim payment Interim Payment of 10,000.00 on 01/01/81

Pre-1983 interest not to be compounded 11,539.73

Total Balance of Tax and Interest due on 01/01/81 101,539.73

New Balance for following interest computation 90,000.00

CORRECT COMPUTATION OF UNDERPAYMENT INTEREST (PAGE 2)

TAXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/18/95

Due date of return : 01/01/81

Interest computed to : 12/31/82

Amount of tax on which interest is to be computed : 90,000.00

Period	Rate (%)	Type	# months	# days	Factor
01/01/81 - 01/31/82 :	12	simple	0	395	0.129863014
02/01/82 - 12/31/82 :	20	simple	0	334	0.183013699
				sub-total	0.312876712
Total Interest Factor for 729 days =					0.312876712

Amount on which interest was computed : 90,000.00

Interest on Tax on 90,000.00 computed from 01/01/81 to 12/31/82
(a total of 729 days) 28,158.90

Total Tax and Interest : 118,158.90

Pre-1983 interest not to be compounded 28,158.90

TAXCOMP 2.10: COMPUTATION OF INTEREST
Effective thru 09/30/95)

Date of Computation : 07/18/95

Page 1

Due date of return : 12/31/82

Interest computed to : 01/01/83

Amount of tax on which interest is to be computed : 129,698.63

Period	Rate (%)	Type	# months	# days	Factor
01/01/83 - 01/01/83 :	16	daily comp	0	1	0.000438356

Total Interest Factor for 1 days = 0.000438356

Amount on which interest was computed : 129,698.63

Interest on Tax on 129,698.63 computed from 12/31/82 to 01/01/83
(a total of 1 days) 56.85

Total Tax and Interest : 129,755.48

interim payment Interim Payment of 5,000.00 on 01/01/83

New Balance for following interest computation 124,755.48

CORRECT COMPUTATION OF UNDERPAYMENT INTEREST (PAGE 4)

TAXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/15/95
Page 1

Due date of return : 01/01/83

Interest computed to : 06/05/89

Amount of tax on which interest is to be computed : 124,755.48

Period	Rate (%)	Type	# months	# days	Factor
01/01/83 - 06/30/83 :	16	daily comp	0	180	0.082081846
07/01/83 - 12/31/83 :	11	daily comp	0	184	0.057009506
01/01/84 - 12/31/84 :	11	daily comp	0	366	0.116259622
01/01/85 - 06/30/85 :	13	daily comp	0	181	0.066576809
07/01/85 - 12/31/85 :	11	daily comp	0	184	0.057009506
01/01/86 - 06/30/86 :	10	daily comp	0	181	0.050832019
07/01/86 - 12/31/86 :	9	daily comp	0	184	0.046408966
01/01/87 - 09/30/87 :	9	daily comp	0	273	0.069623557
10/01/87 - 12/31/87 :	10	daily comp	0	92	0.025522283
01/01/88 - 03/31/88 :	11	daily comp	0	91	0.027720041
04/01/88 - 09/30/88 :	10	daily comp	0	183	0.051100017
10/01/88 - 12/31/88 :	11	daily comp	0	92	0.028000000
01/01/89 - 03/31/89 :	11	daily comp	0	90	0.027490274
04/01/89 - 06/05/89 :	12	daily comp	0	66	0.021932113
Total Interest Factor for 2347 days =					1.024790952

Amount on which interest was computed : 124,755.48

Interest on Tax on 124,755.48 computed from 01/01/83 to 06/05/89
(a total of 2347 days) 127,848.29

Total Tax and Interest : 252,603.77

Interim payment Interim Payment of 25,000.00 on 06/05/89

New Balance for following interest computation 227,603.77

CORRECT COMPUTATION OF UNDERPAYMENT INTEREST (PAGE 5)

TAXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/18/95
Page 5

Interim Calculation Date : 06/05/89

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 227,603.77

Period	Rate (%)	Type	# months	# days	Factor
06/05/89 - 09/30/89 :	12	daily comp	0	117	0.039208569
10/01/89 - 03/31/91 :	11	daily comp	0	547	0.179186130
04/01/91 - 12/31/91 :	10	daily comp	0	275	0.078242226
01/01/92 - 03/31/92 :	9	daily comp	0	91	0.022626480
04/01/92 - 09/30/92 :	8	daily comp	0	183	0.040806225
10/01/92 - 12/31/92 :	7	daily comp	0	92	0.017749631
01/01/93 - 06/30/94 :	7	daily comp	0	546	0.110379989
07/01/94 - 09/30/94 :	8	daily comp	0	92	0.020366804
10/01/94 - 03/31/95 :	9	daily comp	0	182	0.045893120
04/01/95 - 05/31/95 :	10	daily comp	0	61	0.016850433

Total Interest Factor for 2186 days = 0.724652559

Amount on which interest was computed : 227,603.77

Interest on Tax on 227,603.77 computed from 06/05/89 to 05/31/95
(a total of 2186 days) 164,933.65

Total Tax and Interest : 392,537.42

TAXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/18/95

Page 6

Summary of Interest Computations
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Due date of return : 01/01/80

Interest computed to : 05/31/95

Initial amount of tax on which interest was computed : 100,000.00

Payment Date	Description	Payment Amount	Days	Interest Accrued	Balance
=====	=====	=====	=====	=====	=====
01/01/81	interim payment	10,000.00	366	11,539.73	101,539.73
12/31/82			729	28,158.90	129,698.63
01/01/83	interim payment	5,000.00	1	56.85	124,755.48
06/05/89	interim payment	25,000.00	2347	127,848.29	227,603.77
05/31/95			2186	164,933.65	392,537.42
		=====	=====	=====	
TOTALS:		40,000.00	5629	332,537.42	

Balance due as of 05/31/95

392,537.42
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AXCOMP 2.10: COMPUTATION OF INTEREST
(Effective thru 09/30/95)

Date of Computation : 07/18/95

Due date of return : 01/01/80

Interest computed to : 05/31/95

Amount of tax on which interest is to be computed : 60,000.00

Period	Rate (%)	Type	# months	# days	Factor
01/01/80 - 01/31/80 :	6	month/day	0	30	0.004931507
02/01/80 - 01/31/82 :	12	simple	0	731	0.240328767
02/01/82 - 12/31/82 :	20	simple	0	334	0.183013699
				sub-total	0.428273973
01/01/83 - 06/30/83 :	16	daily comp	0	181	0.082556183
07/01/83 - 12/31/83 :	11	daily comp	0	184	0.057009506
01/01/84 - 12/31/84 :	11	daily comp	0	366	0.116259622
01/01/85 - 06/30/85 :	13	daily comp	0	181	0.066576809
07/01/85 - 12/31/85 :	11	daily comp	0	184	0.057009506
01/01/86 - 06/30/86 :	10	daily comp	0	181	0.050832019
07/01/86 - 12/31/86 :	9	daily comp	0	184	0.046408966
01/01/87 - 09/30/87 :	9	daily comp	0	273	0.069623557
10/01/87 - 12/31/87 :	10	daily comp	0	92	0.025522283
01/01/88 - 03/31/88 :	11	daily comp	0	91	0.027722941
04/01/88 - 09/30/88 :	10	daily comp	0	183	0.051263917
10/01/88 - 12/31/88 :	11	daily comp	0	92	0.028031819
01/01/89 - 03/31/89 :	11	daily comp	0	90	0.027490274
04/01/89 - 09/30/89 :	12	daily comp	0	183	0.062000608
10/01/89 - 03/31/91 :	11	daily comp	0	547	0.179186130
04/01/91 - 12/31/91 :	10	daily comp	0	275	0.078242226
01/01/92 - 03/31/92 :	9	daily comp	0	91	0.022626480
04/01/92 - 09/30/92 :	8	daily comp	0	183	0.040806225
10/01/92 - 12/31/92 :	7	daily comp	0	92	0.017749631
01/01/93 - 06/30/94 :	7	daily comp	0	546	0.110379989
07/01/94 - 09/30/94 :	8	daily comp	0	92	0.020366804
10/01/94 - 03/31/95 :	9	daily comp	0	182	0.045893120
04/01/95 - 05/31/95 :	10	daily comp	0	61	0.016850433

Total Interest Factor for 5629 days =

3.989806043

Total Tax and Interest :	299,388.36
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Amount on which interest was computed :	60,000.00
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Interest on Tax on 60,000.00 computed from 01/01/80 to 05/31/95	
(a total of 5629 days)	239,388.36
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Date _____

EX. Q-24

Information/Declaration for LHM §

PAYMENT DATE
7-16-90
(11 15,500)